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THE RESERVES OF THE NEW YORK BANKS.

The *Commercial and Financial Chronicle*, since July, 1900, has published, alongside of its weekly bank statement, the percentages of reserves to deposits held by each of the particular banks belonging to the New York clearing-house; and an examination of these figures, which are now conveniently available for a period of two and a half years, reveals certain interesting facts.

The provision of the national banking law which requires the national banks of New York City to hold a reserve equal to 25 per cent. of their deposits has, in reality, come to be thought of as applying to the aggregate reserves and deposits of the associated banks as a whole; and any near approach to that minimum in the weekly aggregate report invariably causes anxiety. One might not unnaturally suppose from the fact that 17 of the associated institutions are organized under State laws, and are not legally subject to the 25 per cent. requirement, that the total reserves of all the banks, National and State together, might sink somewhat below the minimum prescribed for the national banks without exciting alarm; but this does not seem to be the case. The 25 per cent. boundary has been overstepped only three times within the last decade,—in the summer of 1893, in November, 1899, and in September, 1902; and the situation each time has caused serious unrest, and has called forth heroic means of remedy. Twenty-five per cent. thus seems to have become the effective minimum required by public opinion, if not by the law, for the aggregate reserves of the reporting banks. This fact is further attested by the regular employment of the phrases "legal reserves" and "surplus reserves" in the financial columns of the New York papers in discussing the clearing-house totals.

Such being the case, it is curious to find that during the 104 weeks between January 1, 1901, and January 1, 1903, on the average, the reserves of 23 of the 59 banks quoted in the

clearing-house returns fell short of the 25 per cent. minimum, and that during 12 of these weeks more than 30 of the banks were short. During one week there were as many as 35, at no time fewer than 15 banks with short reserves. As there were only 17 State banks connected with the clearing-house, this would seem to indicate that some of the national banks were almost always to be found below the Comptroller's minimum.

We may say, then, that, as a general rule, throughout the past two years considerably more than a third of the New York banks have held reserves below the level which public opinion regards as an untrespassable minimum for the banks as a whole, and during at least three months half or more of the banks have been in this condition. There were few weeks in which the reserves of some of the banks did not average below 20 per cent.; and this was several times true of national banks as well as of state banks,* while occasionally the reserves even fell below 15 per cent.†

Inasmuch as the aggregate reserves during the two years, were, with the exception of a single week, above the minimum, it is clear that the reserves of some of the banks must have been enlarged so as to more than cover the deficits of the banks with the short reserves. The burden of maintaining the credit of our financial centre was thus made to bear, whether consciously or unconsciously, more heavily upon the shoulders of the cautiously managed banks.

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* The reserves of the National Broadway Bank, for instance, averaged below 20 per cent. in the weeks ending May 25, December 14, and December 28, 1901, and March 22, 1902.

† The reserves of the Continental National Bank averaged 14.8 per cent. during the week ending April 20, 1901.